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June 27, 1996

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JUN 27 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Ex Parte Presentation in IB Docket 96-11, Amendment of Commission's Regulatory Policies To Allow Non-U.S. Licensed Space Stations To Provide Domestic/International Satellite Service in the United States

Dear Mr. Caton:

On June 26, 1996, representatives from Home Box Office, a Division of Time Warner Entertainment Company, L.P., and from Time Warner Inc. met with representatives of the Commission's International Bureau to discuss a number of satellite-related matters, including the FCC's proposal in the above-captioned proceeding. Two copies of the written material provided to the Commission staff are enclosed for insertion into the record in this proceeding.

Should there be any questions concerning this matter, please communicate with the undersigned.

Respectfully submitted,

Benjamin J. Griffin

BJG:jw

Enclosures

No. of Copies rec'd 0+1
List ABCDE

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June 27, 1996 9:58 AM

FCC International Bureau
Review of Satellite Licensing Policies

presentation by
Home Box Office

June 26, 1996

HBO

Home Box Office

- HBO is a division of Time Warner Entertainment, a limited partnership controlled by Time Warner Inc.
- Two major services: HBO and Cinemax
- 29.7 million subscribers
  - 20.8 million HBO, 8.9 million Cinemax
- Other Services
  - Investments in Comedy Central, El Entertainment Television, plus other services
- International Services and Investments
  - Latin America, Asia, Eastern Europe

HBO

Background and Introduction

- HBO distributes programming via Cable TV, SMATV, Wireless Cable, Telcos, and DTH (C-band TVRO, Ku-band medium power, Ku-band DBS)

- HBO is a major user of satellites worldwide
  - 25 full-time transponders worldwide, 12 domestic, 13 international , plus backhaul
  - Negotiations under way for additional capacity

- Involvement with satellite and other technologies has been key to HBO's business

- Began digital compression in 1992. Transition to MPEG II in 1996

HBO

HBO Satellite History

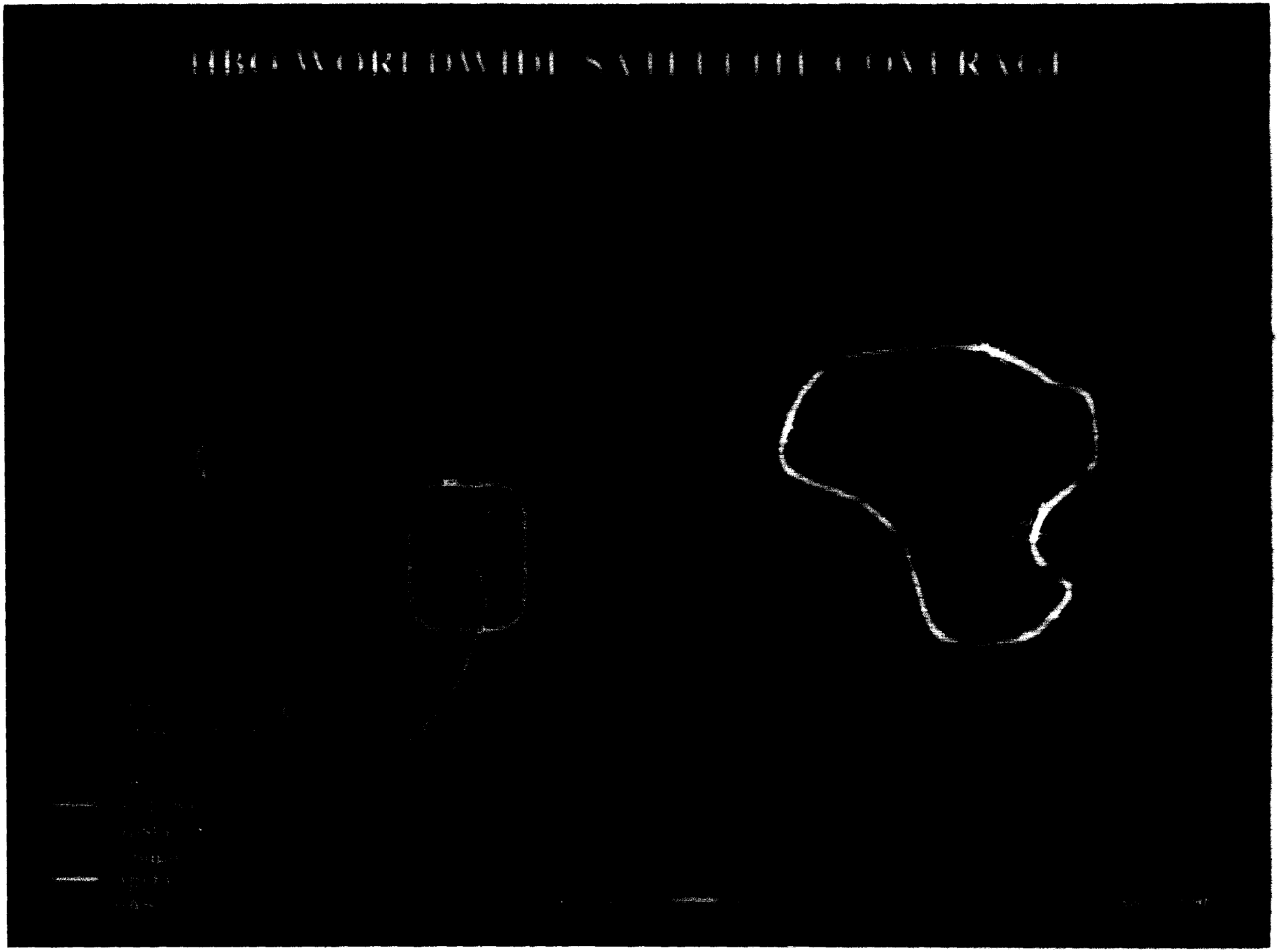
1972	HBO begins operations
1975	HBO first to use satellite for regular TV network distribution
1976	FCC approves 4.5 meter dish, greatly expanding affiliate base
1981	HBO one of first to engage in private transponder transaction
1983	HBO one of first to own and operate network uplink
1985/86	HBO pioneers satellite scrambling and begins subscription service to TVRO C-band
1992	HBO first to offer digitally compressed television service

HBO DOMESTIC SATELLITE INTERESTS

SATELLITE	TRANSPONDERS	SERVICES
Galaxy IR	4	Cinemax East Comedy Central West Digital Multiplex feeds (2)
Galaxy V	3	HBO East HBO West Cinemax West
Galaxy IIIR	4	HBO 2E HBO 3E MAX 2E HBO 2W
SATCOM C3	1	Comedy Central East

HBO INTERNATIONAL SATELLITE INTERESTS

SATELLITES	TERRITORY	SERVICES
PAS 1 (2 trans) PAS 3R Solidaridad	Latin America	HBO Ole, HBO 2 Cinemax, Cinemax2 WBTV SET YA! TV
BrasilSat 1	Brasil	HBO Brasil
APSTAR 1/2R	Asia	HBO Asia
Palapa C2	Indonesia (DTH)	HBO Asia
	Central Europe:	
Kopernikus (DFS-2)	Poland	HBO Polska
TBD	Hungary	HBO/Spektrum
TBD	Czech Republic	HBO Ceska/MAX 1/ Supermax
ASTRA/Intelsat 702 TVSAT2	Scandinavia	TV 1000 TV 1000 Cinema
ASTRA	Germany	n-TV



Involvement in FCC Proceedings

- Active in FCC proceedings, including:
  - TVRO deregulation
  - Two-degree spacing initiative
  - Transponder sales
  - Automatic Transmitter Identification System
  - Encryption
  - ATV
  - Domestic/International Satellite services (DISCO I/DISCO II)

- Goal has been to provide practical and constructive advice from user's perspective to assist FCC in shaping satellite policies

HBO

Current Issues

- Two-Degree Spacing
- Domestic and International Systems (DISCO II)
- Allocation of Orbit Spectrum Resources
- International Orbital Coordination
- Satellite Operator Content Concerns
- Technical Standards (ATV)

HBO

Two-Degree Spacing

- Focus on economic and technical hardship to the user community should continue

- Substantial obstacles in reduced orbital spacing:
  - Large installed base and manufacturing capacity designed for a minimum of 2-degree spacing
  - Interference environment much more complex
  - Need technological breakthrough to provide economically viable replacement strategy

- Overall capacity is increasing:
  - Ku-band service is proliferating and supplementing C-band
  - Ka-band is an emerging technology
  - Movement of traffic from satellite to fiber, economically motivated
  - Digital compression expanding capacity through satellite and terrestrial distribution
  - LEO likely to provide alternative capacity for new applications

HBO

Domestic and International Satellite Services (Disco II) 96-111

- HBO supports foreign-licensed satellites in domestic service, but FCC's recommendations are critical to successful implementation
- Foreign satellites must meet U.S. technical standards (2-degree spacing), technical coordination requirement, non-interference
- Regulation through licensing earth stations; blanket license for DTH
- ECO-Sat test should look further than "publicly stated" policy. Is comparable access, in fact, provided?
- Service-by-service comparison is important
- Countries of reciprocal opportunity should be the critical consideration. Small "flagship" home countries with open access may not justify use of scarce U.S. orbital positions
- U.S. domestic needs should be given priority consideration
- Satellite operator should be permitted to demonstrate ECO-Sat compliance instead of exclusive burden on earth station applicant
- Intelsat should be evaluated based on access to markets of those countries having 2/3 ownership interest

HBO

Allocation of Orbit Spectrum Resources

- HBO supports FCC's latest order which used existing rules regarding orbital slot allocation and financial qualification standards to avoid mutual exclusivity
- FCC's allocation process has worked well
- Current users reassured that their capacity will be replaced timely and efficiently without disruption
- Auctions simply drive up the cost and thus the price to consumers and create uncertainty for users regarding continuity

HBO

International Orbital Coordination

- Orbital coordination becoming complex and contentious
- Coordination process needs order and streamlining
- HBO supports U.S. efforts to bring order to international orbital coordination

HBO

Satellite Operator Content Concerns

- Satellite operator vs. user's risk for unlawful programming is an issue
- Programmers willing to accept risk for content and indemnify satellite operator -- cannot indemnify for criminal charges
- Encryption and conditional access provide mechanism for programmer to limit reception to authorized jurisdictions
- Some satellite operators desire greater controls, including ability to unilaterally suspend service
- Programmers need assurance that national networks will not be interrupted by risk-averse satellite operators

HBO

Technical Standards and the Marketplace

- As a general rule, government-imposed technical standards are undesirable
  - Delay introduction of services
  - Freeze technology
  - Discourage innovation

- Government-imposed technical standards often unnecessary
  - C-band marketplace evolved into satisfactory de facto standard
  - DBS evolved with multiple standards

- Technical standards sometimes necessary to stimulate market for new technology (ATV)

HBO

Advanced Television Systems 87-268

- ATV standard should be adopted for over-the-air broadcasting to stimulate deployment of HDTV

- ATSC DTV proposal should be adopted and should delineate mandatory vs. recommended vs. optional features

- Standard should be flexible, able to be easily modified as technology and marketplace evolve

- Alternative media will respond to marketplace demands and should remain free to use the standard they deem most suited to their distribution technology

- FCC should pursue international compatibility

HBO

Summary

- As FCC examines reregulation of satellite communications, concerns and needs of users must be considered, particularly with respect to:
  - Two-Degree Spacing
  - Domestic and International Satellite Services
  - Allocation of Orbit Spectrum
  - International Orbital Coordination
  - Satellite Operator Content Concerns
  - Technical Standards (ATV)

HBO